Transit Planning Board White Paper #1

Historic Transit Funding Realities and their Implications for the Future

Introduction

The TPB staff feels it is critical that there is a common understanding what the region has spent on transit capital and operating expenditures in recent history and the sources from which these funds have come. This paper seeks to lay that foundation and raise questions about the implications these numbers have for future transit funding in the metropolitan Atlanta region. As such, this paper presents the breakdown of the current sources of funding for the existing systems and estimates only what it will cost to operate and maintain the existing system. This is designed to provide a robust baseline from which to compare any proposed system expansions. One note, all dollar figures are in the year they are spent or intended to be spent.

Transit Operations Expenses

Between 1996 and 2005, the Atlanta region's annual expenses in providing transit service rose from approximately $299 million to $338 million, an average annual growth rate of 4.63%.[1] As shown in Figure 1, operating costs rose most significantly between 1996 and 2000 and have not risen significantly since 2001. Despite increases in operating expenses related to the start-up of services in Gwinnett and Clayton in 2001 and the regional express bus system in 2004, these increases were offset by reductions in services by MARTA.

[1] Source: National Transit Database (NTD) 1996-2005 including reports for MARTA, CCT, Douglas County Rideshare, Gwinnett County Transit, GRTA (including C-TRAN and vanpools), City of Canton, and VPSI.

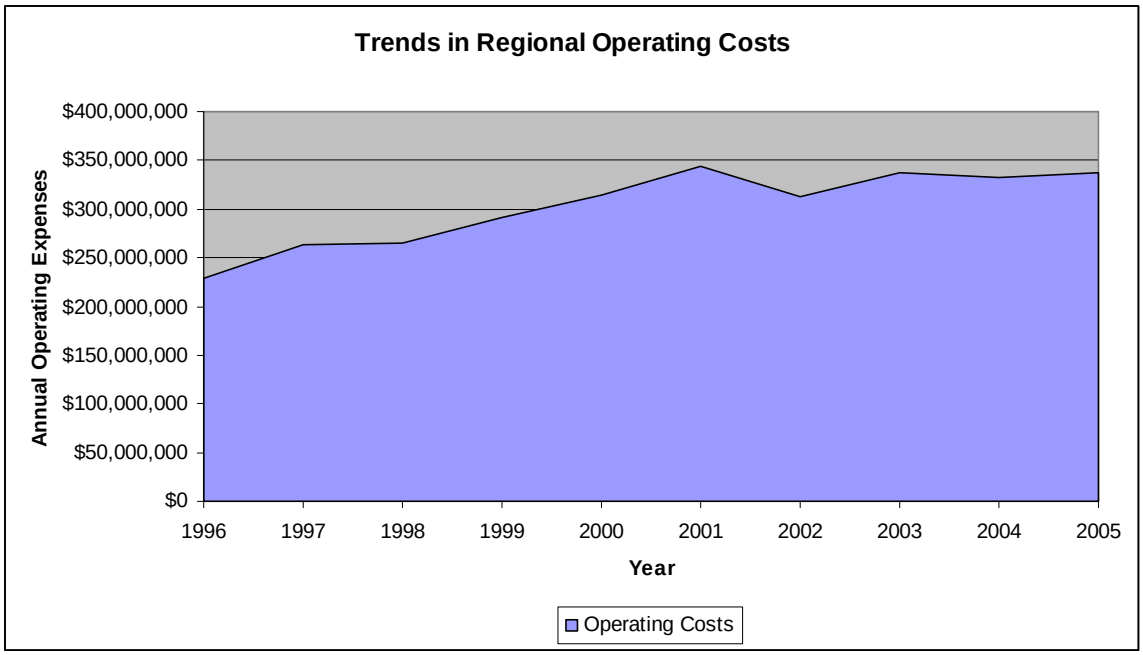

Figure 1: Trends in Regional Operating Costs

Projecting out to 2030 and assuming that only the current system is in operation – in other words today's transit system in 2030 with no new service expansions, no new lines, just today's service on today's routes – annual operating costs are projected to be between approximately $467 million to $730 million depending on whether costs increase an a 1% annual rate or a 3% annual rate.

Additionally, even if no changes are made to the existing transit system there is likely to be an increase in demand transit services. One illustrative example, as a result of the aging of the population there is likely to be an increase in demand for paratransit services. Assuming that the five areas providing paratransit services have the average 2030 over 65 population, the increase in paratransit transit services is likely to add another $20-$30 million annually to the operating cost of the existing transit system. However, there are other factors that will also increase demand such as changing regional demographic, the construction and location of workforce housing and numerous other factors.

This means that in 2030 that between $500 to $750 million annually will be required to operate the existing regional transit system. Again, this is only the cost to operate today's system, tomorrow.

Transit Capital Expenses

Over the same period (1996-2005), the region has spent an average of $216.1 million a year on capital expenditures, including service expansions, preventive maintenance on rolling stock and infrastructure, rehabilitation and replacement of rolling stock, etc. These expenditures have decreased at an average annual rate of 16.23%, yielding an annual expenditure for 2005 of $182.9 million. In large part, this downward trend in

capital expenditures is a result of the lack of the expansion in fixed guideway transit and is typical for a non-expanding system.

Assuming the same lack of change in the regional transit system and the same inflation rates that were employed above, by 2030, the region can expect to need between $234.5 million and $382.9 million dollars a year in capital funds to simply maintain the system.

Sources of Operating Revenues

Revenues for operating the regional transit system originate from several sources. The National Transit Database (NTD) requires agencies to report sources of their revenues based upon five categories:

1. Fare Revenue
2. Local Governmental Sources
3. State Sources
4. Federal Sources
5. Other Sources (advertising, interest income, etc.)

Figure 2 presents the sources of operating funds for the entire region between 1996-2005. It is obvious from the Figure that by far the largest single share of operating expenses over the decade was local revenues: primarily dedicated local sales taxes and county general funds. Combining the 55.3% local funding with the 35.7% (Fares and Other Funds) of funds that are generated by the systems themselves, 91% of operating expenses are paid by local sources.

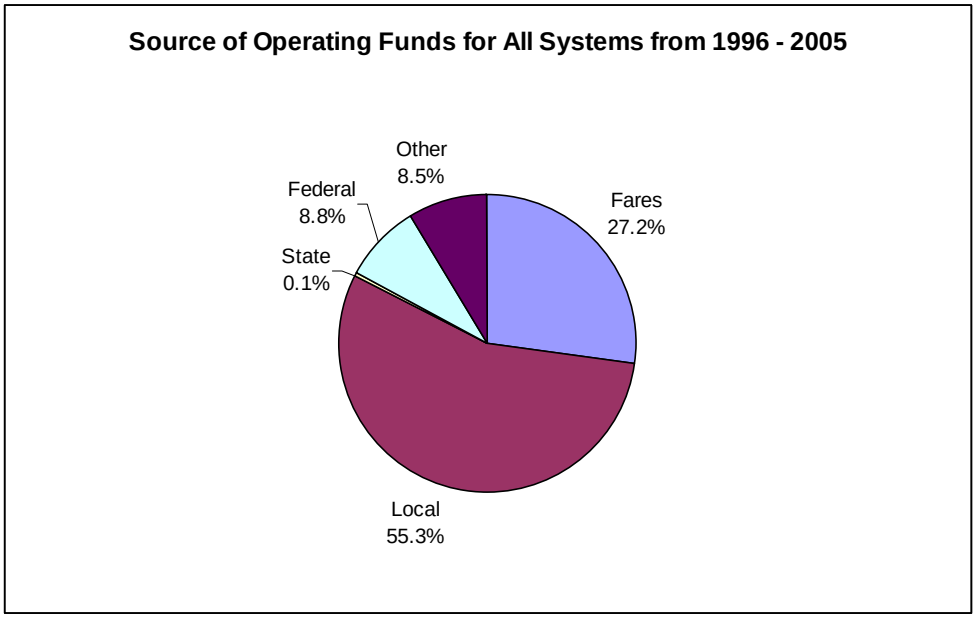

Figure 2: Sources of Transit Operating Funds from 1996 to 2005

Figure 3 presents the percentage breakdown in sources of operating funds between 1996 and 2005 for those operators who were operating in 1996, defined as the mature systems (MARTA, CCT and Douglas County). These mature systems rely only slightly more heavily on local revenue sources than does the system as a whole: 91.5% compared to 91%.

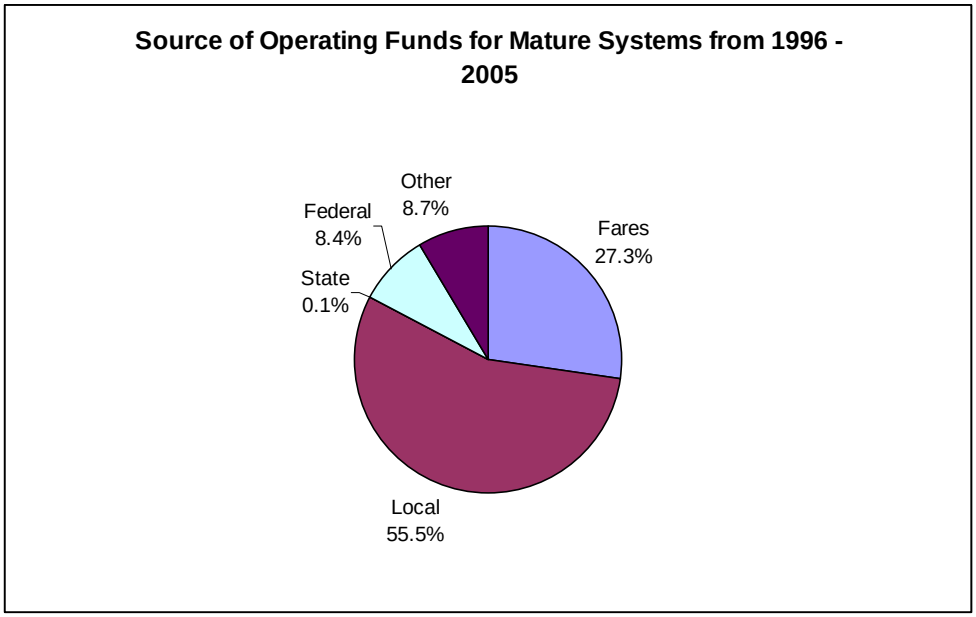

Figure 3: Sources of Operating Funds from 1996 – 2005 for Mature Systems

Figure 4 presents the percentage breakdown in sources of operating funds between 2002 and 2005 for the new systems (Gwinnett County, C-Tran, GRTA, City of Canton, and VPSI). 2002 was the first year these systems reported to the NTD.

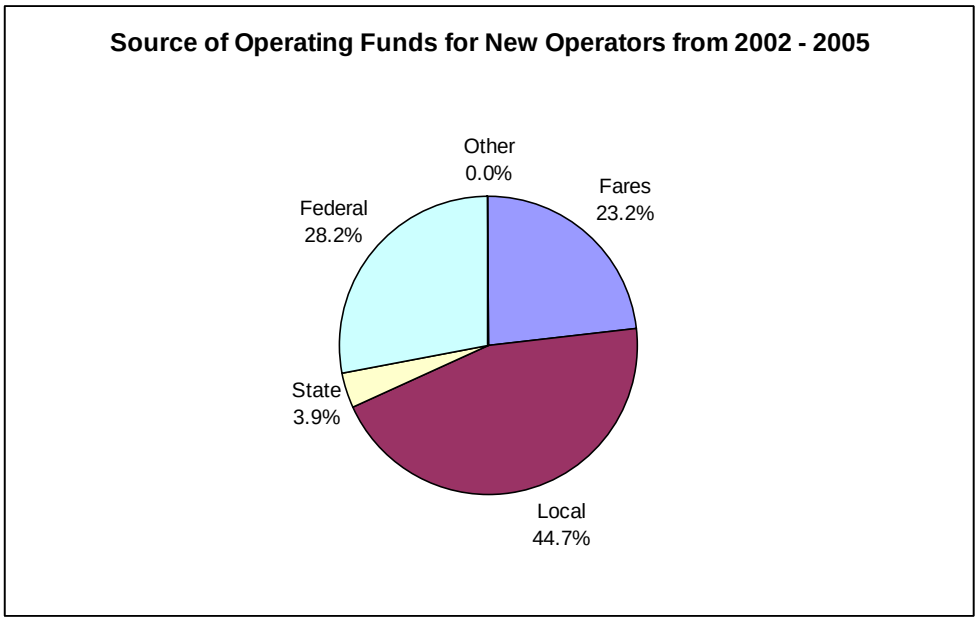

Figure 4: Sources of Operating Funds from 2002 – 2005 for New Systems

As you can see from the chart, newer systems rely significantly more heavily on federal and state funds to meet their operating budgets than do mature systems. New systems receive on about 70% of their operating revenues from local sources, compared to the 91% for mature systems. The increased reliance on federal funds is likely a result of the use of CMAQ funds which are only available for three years from the start of operations.

After this time period, system operators have to find other sources to operate the services. As federal operating funds begin to run dry after the three year availability of CMAQ funds, new systems will have to make up those operating deficits either from local sources or the state. And shown in Figure 2, the state contributes approximately 0.1% to the operations cost of the regional transit system.

Figure 5 presents the trends over time for non-federal sources of operating funds. Federal funds are not included because federal operating funds are limited to capital maintenance and initial start-up CMAQ three year period. The concept behind these funds is to provide transit service to reduce congestion and pollution. Once these services are established during this three year timeframe, service providers are expected to be able to fund ongoing operations. A limited amount of federal dollars are available through the FTA 5307 program for preventive maintenance.

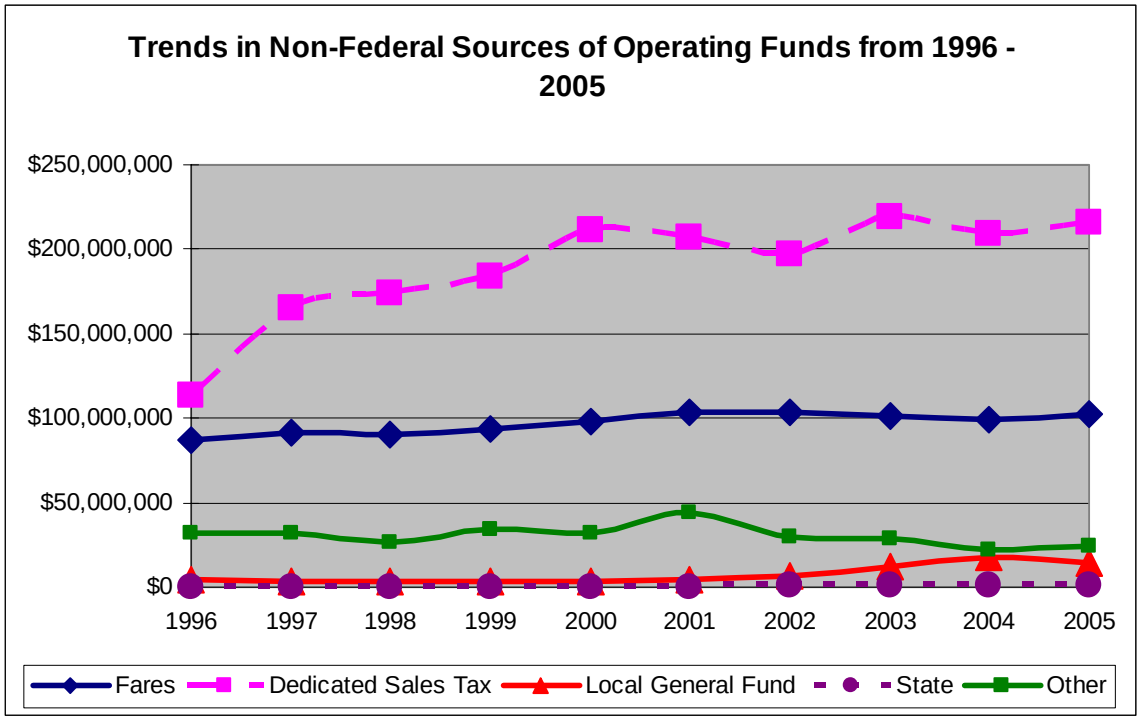

Figure 5: Sources of Non-Federal Operating Funds between 1996 and 2005

Non-federal operating funds can be broken down into five types:

1. Dedicated States – the MARTA Sales Tax
2. Local General Funds – Funds from local government general budget
3. Fares – Passenger Fares
4. Other – Advertising revenues, interest income, public-private partnership revenue, etc.
5. State – State general funds

Two trends are visible from Figure 5. First, local general fund increased between 1996 and 2005. Second, sales tax revenues fluctuate considerably, which is not unexpected given that it is the most closely tied to overall economic conditions.

The implication is that local governments, outside of Fulton, DeKalb, and City of Atlanta, have been increasing their support of transit operations through their general funds. The second is that even state operated services are likely being paid for mostly through a combination of local general fund revenues plus any federal CMAQ and capitalized maintenance funds are available.

Sources of Capital Revenues

Revenue sources for capital projects on the regional transit system originate from several sources. The National Transit Database (NTD) requires agencies to report sources of their revenues based upon four categories:

1. Local Governmental Sources
2. State Sources
3. Federal Sources
4. Other Sources (advertising, interest income, etc.)

Figure 6 presents the sources of capital funds for the entire region between 1996-2005. Similar to operating expenses, the majority of capital expenditures over this time frame were funded with local resources.

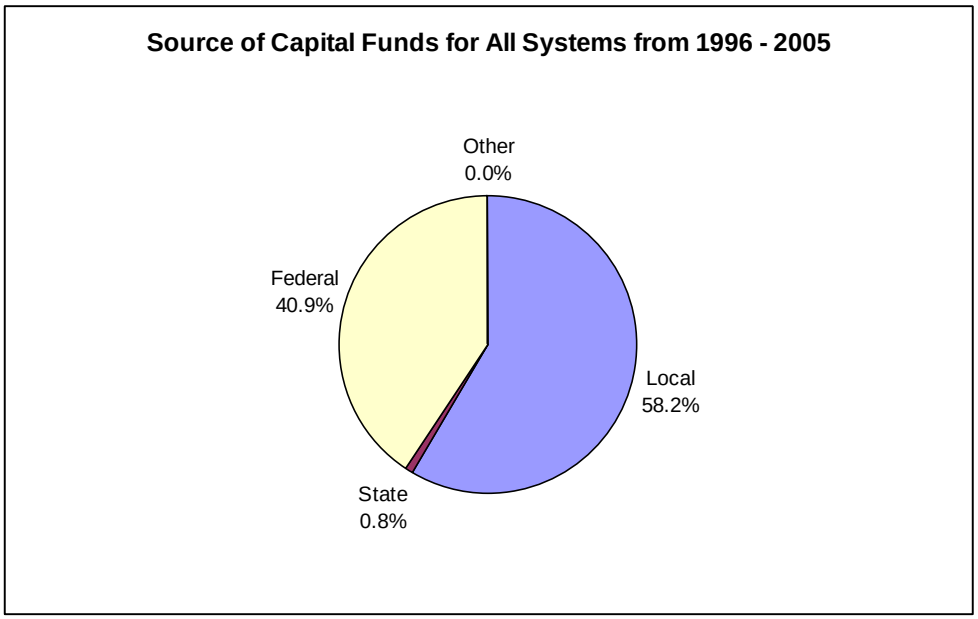

Figure 6: Sources of Transit Capital Funds from 1996 to 2005

Figure 7 presents the percentage breakdown in sources of capital funds between 1996 and 2005 for mature systems. This chart mimics the Figure 6, except that there is a slight increase in the amount of local funds contributed to capital expenses, and a slight decrease in federal and state resources.

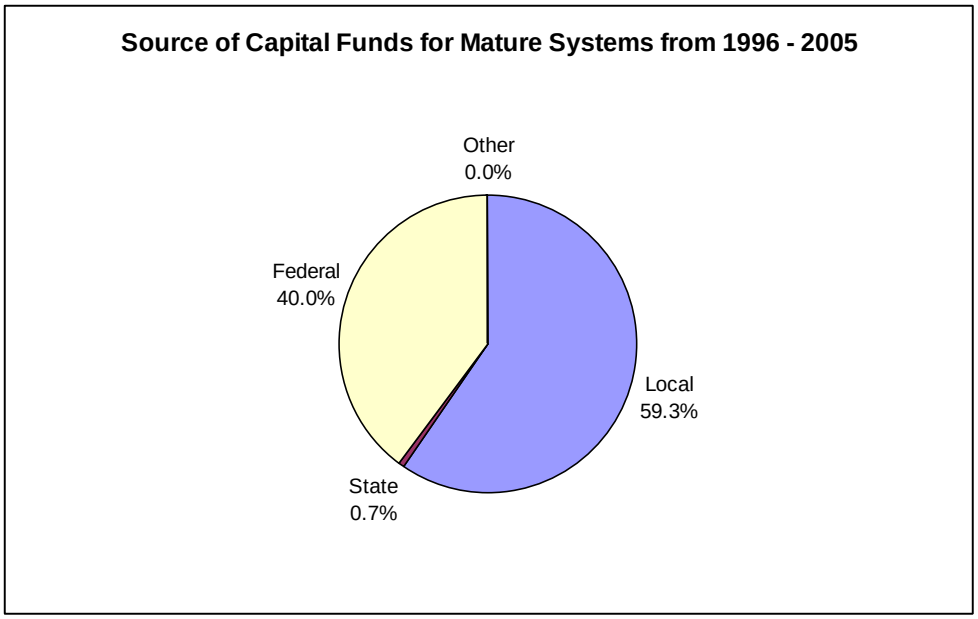

Figure 7: Sources of Transit Capital Funds from 1996 – 2005 for Mature Systems

Figure 8 presents the percentage breakdown in sources of capital funds between 2002 and 2005 for the new systems. The two most obvious differences between the new versus mature systems is that new systems receive 37% more funds from federal sources and 43.6% less funds from local sources than their mature counterparts. One other notable difference is in state contributed resources to the new systems as compared to the mature systems.

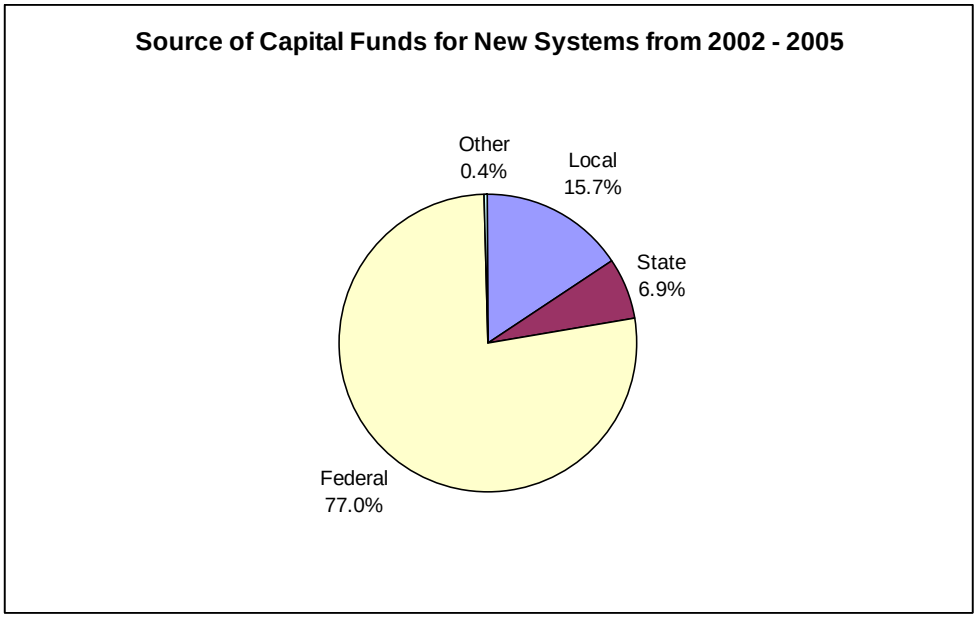

Figure 8: Sources of Transit Capital Funds from 2002 – 2005 for New Systems

Figure 9 presents the trends over time for all sources of capital funds. Federal funds are included because these funds are intended to support capital construction of projects with operations left to local entities.

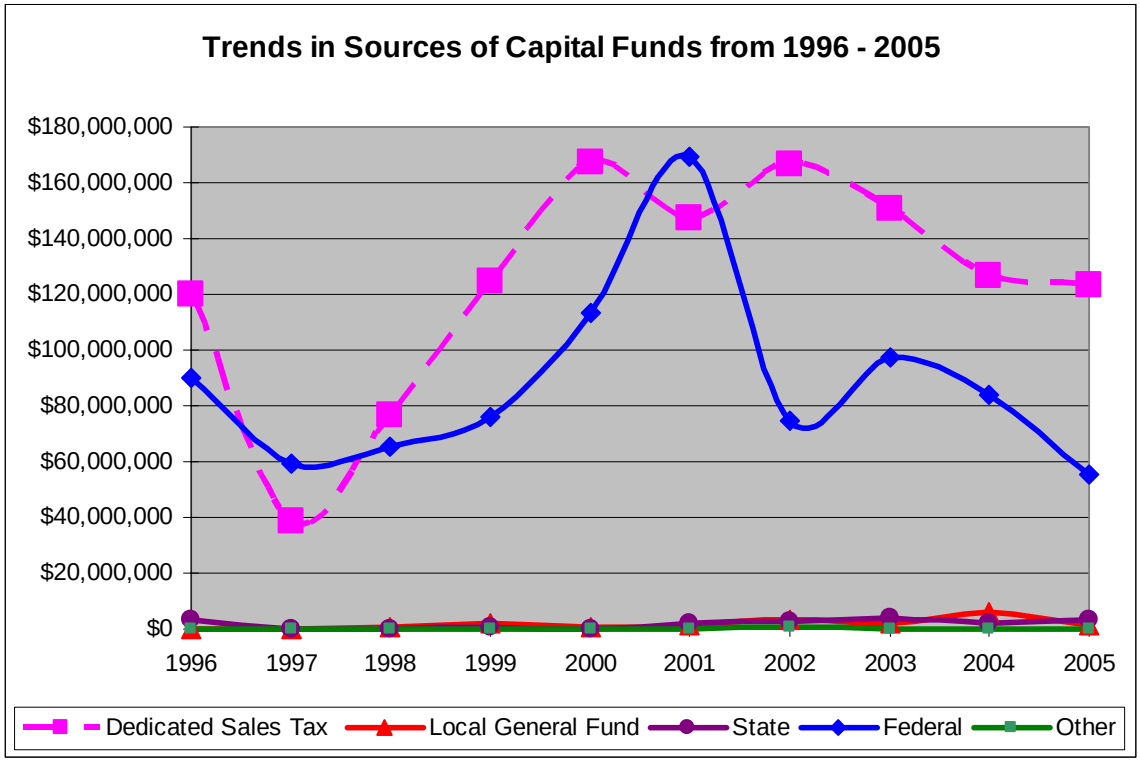

Figure 9: Trends in Sources of Capital Funds between 1996 and 2005

Non-federal capital funds can be broken down into five types:

1. Dedicated Funds – the MARTA Sales Tax
2. Local General Funds – Funds from local government general budget
3. Federal Funds from the FTA
4. Other – Advertising revenues, interest income, public-private partnership revenue, etc.
5. State – State general funds

Three trends are visible from Figure 9. First, primary capital funding is provided by the federal government and the dedicated revenue generated by the MARTA sales tax. Second, the large increase in federal capital funds corresponds with the construction and opening of the North Springs extension. Finally, examining the scale, while local and state general funds are provided for capital expenditures, they are virtually unnoticeable compared with the level of funds provided by the dedicated sales tax and federal funding.

The implication is that a dedicated source of funding provides a much higher level of capital funds for transit investment. Since the paper only examines how the existing system is funded, it also begs the question of, given current local governments funding levels and sources for capital expenditures; will the local governments outside of the

MARTA sales tax area fund, or even be able to fund, any transit capital projects in the same manner?

Conclusions

It is reasonable to expect that as the newer systems mature, the mix of resources used to meet their capital and operating budgets will eventually mirror those of the mature systems. This means that the region is going to have to identify additional local resources to continue to operate and maintain just the existing systems. Table 1 below demonstrates the amount of local resources that will be necessary on an annual basis by 2030. This figure uses percentages of the mature systems locally generated revenue to calculate the anticipated need for local funds in the horizon year. Again, these are just the estimates for operating the system in place today.

Anticipated Need for Operating and Capital Funds For the Existing System in 2030				
Inflation Rates		1%		3%
Total Annual Need for Operating Funds in 2030	$	500,000,000	$	750,000,000
Total Annual Need for Capital Funds in 2030	$	235,000,000	$	380,000,000
Total Annual Need for Funds in 2030	**$**	**735,000,000**	**$**	**1,130,000,000**
Local Contribution to Operating	$	457,500,000	$	686,250,000
Local Contribution to Capital	$	139,355,000	$	225,340,000
Total Local Contribution	**$**	**596,855,000**	**$**	**911,590,000**

Table 1: Anticipated Need for Operating and Capital Funds for the Existing System in 2030

Obviously, since these numbers only reflect the estimates of operating and maintaining the current regional transit system, if the region desires to expand the current regional transit system additional local resources will be required. This leads us to several significant questions:

1. Will there be sufficient local resources to support continued operation of the existing regional transit system?
2. If so, from where will those resources come?
3. Do we plan on and are we committed to expanding the regional transit system?
4. For expansions to the system, from where will the resources for capital and operations and maintenance come?